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Securities Code: 6707
June 6, 2022

To Those Shareholders with Voting Rights

Hiroshi Takahashi
President
Sanken Electric Co., Ltd.
6-3, Kitano 3-chome, Niiza-shi,
Saitama Prefecture

NOTICE OF CONVOCATION OF THE 105TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you of the 105th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

In order to avoid the risk of COVID-19 infection, please be aware of the infection situation and your own health condition on the day of the meeting and make an appropriate decision before attending the meeting. In addition, we encourage you to exercise your voting rights in advance by mail or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m., Thursday, June 23, 2022.

Notice

- 1. Date and Time:** 10:00 a.m., Friday, June 24, 2022
- 2. Place:** The Company's Head Office
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture

3. Agenda of the Meeting:

- Matters to be reported:**
- 1.The Business Report, the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board for the 105th Fiscal Term (from April 1, 2021 to March 31, 2022)
 - 2.The Non-Consolidated Financial Statements for the 105th Fiscal Term (from April 1, 2021 to March 31, 2022)

Proposals to be resolved:

- Proposal No. 1:** Appropriations of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Nine Directors
Proposal No. 4: Election of Two Audit and Supervisory Board Members

- If the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders are amended, the amended items will be disclosed on the Company's website below.
- We provide our shareholders with the CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, the NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS by disclosing them on our website stated above in accordance with laws and regulations and the provisions of the Articles of Incorporation of the Company. Please note that the documents disclosed on our website formed part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Board Members and Accounting Auditor during the preparation of the Audit Reports.

The Company's website: <https://www.sanken-ele.co.jp/>

Please refer to the [SanKen Report](#) posted on our website for details about our SDGs initiatives including promoting women's participation and advancement.

BUSINESS REPORT

(from April 1, 2021 to March 31, 2022)

1. Current Status of the Group

1. Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2018 (101st Term)	Fiscal term ended March 31, 2019 (102nd Term)	Fiscal term ended March 31, 2020 (103rd Term)	Fiscal term ended March 31, 2021 (104th Term)	Fiscal term ended March 31, 2022 (105th Term)
Net sales	(millions of yen)	175,209	173,650	160,217	156,795	175,660
Operating income (loss)	(millions of yen)	12,026	10,531	4,309	(1,198)	13,720
Ordinary income (loss)	(millions of yen)	11,808	9,173	2,674	(3,406)	13,700
Profit (loss) attributable to owners of parent	(millions of yen)	(11,421)	3,967	(5,559)	(6,952)	3,204
Net income (loss) per share	(yen)	(94.24)	163.70	(229.83)	(287.96)	132.79
Total assets	(millions of yen)	185,359	188,192	194,024	233,673	244,732
Net assets	(millions of yen)	72,283	78,541	71,776	113,250	137,404

- Notes:
1. Net income (loss) per share is calculated based on the average number of shares outstanding in each fiscal term. The average number of shares outstanding excludes treasury stock.
 2. Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, net income per share for the 102nd fiscal term is calculated on the assumption that the consolidation of shares was carried out at the beginning of the said fiscal term.
 3. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the 102nd fiscal term. Key financial performance indicators, etc. for the 101st fiscal term are therefore stated as figures to which the above accounting standard, etc. has been retrospectively applied.

2. Review of Operations

With regard to the business environment during the consolidated fiscal year ended March 31, 2022, a gradual pickup in consumption was seen as the severe conditions caused by the novel coronavirus (“COVID-19”) pandemic eased, the demand for semiconductors increased globally, and the economic situation otherwise steadily recovered. However, uncertainty about the global economic outlook increased due to heightened geopolitical risks stemming from Russia’s military offensive in Ukraine which began in February 2022.

Amid this environment, the Group launched the Medium-Term Management Plan 2021 in the current period. The plan has been integrated with the Medium-Term Management Plan 2018 as a business strategy, with the goal being to “Realize a recovery of the Sanken Core” and ensure “Further growth of Allegro MicroSystems, Inc. (AMI).” During the fiscal year ended March 31, 2022, in the first year of the Medium-Term Management Plan 2021, the Company completed the transfer of the infrastructure business, concentrated management resources in Sanken Core, and brought to completion the optimization of the semiconductor device production system which had been promoted as a structural reform from the Medium-Term Management Plan 2018, including the closure of two semiconductor device plants in Japan and the operation of the new module plant. On the other hand, in the area of development reforms, we further accelerated activities for new product development pivoting on the Production Development Center at the Head Office, which began operations in May 2021, and worked to improve profit. In the fiscal year under review, we focused on environmental, social and governance (ESG) management and the promotion of digital transformation, and in addition to improving the system by establishing the Sustainability Committee, we made progress with carbon offset activities, initially at Ishikawa Sanken’s Horimatsu plant. Furthermore, we focused our efforts on policies for placing ESG concerns and digital transformation at the pivot of management, such as fund procurement through sustainability linked loans, education to promote digital transformation to all employees, and activities to raise health and productivity management and employee-engagement for all employees.

The market environment during the fiscal year ended March 31, 2022 is as follows.

In products for automotive markets, demand remained brisk due to the high level of movement to secure components in the supply chain amid the COVID-19 pandemic as well as growth in the switch to electric vehicles and advanced driver assistance systems. With the increase in the use of inverters and DC motors in items such as air conditioners and washing machines, there was strong demand for products for the white goods market. Also, sales of products for servers were stable, and demand for products for the production machinery market continued to exceed supply capacity against the backdrop of the global semiconductor shortage.

With regard to the operating results for the fiscal year ended March 31, 2022, thanks to the tailwind provided by the strong demand for semiconductors compared to the previous fiscal year which was significantly impacted by the COVID-19 pandemic, we recorded consolidated net sales of ¥175,660 million, up ¥18,864 million (12.0%) compared to the previous fiscal year. For income, accompanying the increase in sales, we recorded consolidated operating profit of ¥13,720 million (consolidated operating loss of ¥1,198 million in the previous year), and record-high consolidated ordinary profit of ¥13,700 million (consolidated ordinary loss of ¥3,406 million in the previous year). In addition, we recorded ¥3,204 million in consolidated profit attributable to owners of parent (consolidated loss attributable to owners of parent of ¥6,952 million for the previous fiscal year), due to factors including the recording of ¥1,938 million of business structure reform cost under extraordinary losses, combining loss on liquidation of subsidiaries and associates as well as loss on valuation of inventories in conjunction with structural reforms.

* From the current fiscal year, unit products which were included in the power systems segment have been transferred to the semiconductor devices segment. Further, the transfer of the infrastructure business in the power systems segment was completed in the current fiscal year. As a result, the importance of segments other than the semiconductor devices segment has declined, and accordingly descriptions by business segment are omitted.

3. Tasks to be Addressed

The global economy is expected to recover due to the effects of various policies aimed at economic normalization following the COVID-19 pandemic. However, there is concern about issues such as energy shortages, adverse impacts on logistics as well as shortages and soaring prices of raw materials if the situation in Ukraine becomes prolonged. As such, we expect the unpredictable situation to continue over the near term.

Regarding the Group's medium- to long-term market environment, as environmental investments, including the increase in the percentage of white goods with inverters and the acceleration in the shift to electric vehicles, become further emphasized, the robust demand for power semiconductors is expected to continue going forward against the backdrop of carbon neutral ambition. Based on this medium- to long-term outlook, the Group has established "Results from Structural Reforms," "Realize the Growth Strategy," "ESG Management," "DX Promotion," and "Strengthen the Financial Strategy" as its priority issues in the second year of the Medium-Term Management Plan 2021.

Completing structural reforms and accumulating capital by stabilizing the financial base as well as improving the credit rating are positioned as pillars of the Medium-Term Management Plan 2021, and based on managing various KPIs linked with ESG management, we will continue to build mechanisms that will lead to further growth investments. In addition, in DX promotion activities, we have newly established the "Sanken Digital Vision" that will contribute to the realization of the management vision, and we will aim to create value through the synergies from both improving customer experience (CX) and employee experience (EX) through the proactive utilization of digital technology. By focusing on these measures, we intend to increase new products' share of sales, flexibly respond to market conditions without delay, and transform into a highly-profitable company capable of contributing to society.

We greatly appreciate your ongoing support and encouragement.

4. Status of Principal Subsidiaries

Name	Common stock	Percentage of equity participation	Principal business	Offices	Location
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors	Head Office, Horimatsu Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
				Shika Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
				Noto Plant	Noto-machi, Housu-gun, Ishikawa Prefecture
Yamagata Sanken Co., Ltd.	100 million yen	100.0%	Manufacture of semiconductors	Head Office	Higashine-shi, Yamagata Prefecture
Kashima Sanken Co., Ltd.	75 million yen	100.0%	Manufacture of semiconductors	Head Office	Kamisu-shi, Ibaraki Prefecture
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture and sale of semiconductors	Head Office	Nihonmatsu-shi, Fukushima Prefecture
Dalian Sanken Electric Co., Ltd.	136 million yuan	100.0%	Manufacture of semiconductors	Head Office	Liaoning, China
Allegro MicroSystems, Inc.	1,904 thousand US dollars	51.7%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Allegro MicroSystems, LLC	43 million US dollars	* 51.7%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Polar Semiconductor, LLC	10 million US dollars	85.5% * 15.5%	Manufacture of semiconductors	Head Office	Minnesota, U.S.A.
P.T. Sanken Indonesia	96 million US dollars	100.0%	Manufacture and sale of Power module	Head Office	West Java, Indonesia

- Notes:
1. As part of the structural reforms to optimize the production system for semiconductor devices, the Uchiura Plant and the Machino Plant were consolidated into the Noto Plant at Ishikawa Sanken Co., Ltd. In addition, the Company closed the plant of Kashima Sanken Co., Ltd. after transferring the control of production processes to other plants, and decided to dissolve the company on March 31, 2022.
 2. Capital of Allegro MicroSystems, LLC indicates capital surplus.
 3. Asterisks (*) indicate indirect ownership through Allegro MicroSystems, Inc.
 4. No specific wholly owned subsidiary exists as of the end of the current consolidated fiscal year.

5. Principal Offices

■ The Company

Offices	Location
Head Office	Niiza-shi, Saitama Prefecture
Tokyo Office	Toshima-ku, Tokyo
Osaka Branch	Osaka-shi, Osaka
Nagoya Sales Office	Nagoya-shi, Aichi Prefecture

■ Subsidiaries

Please See “4. Status of Principal Subsidiaries.”

6. Capital Investment

Capital investment of the current consolidated fiscal year amounted to 16,118 million yen. This mainly consisted of investment for the purpose of developing and expanding the production capacity of semiconductor devices and others.

7. Financing

The Company allocated the funds required during the current consolidated fiscal year from its own funds and borrowings, among other sources including sustainability linked loans. No special funds were acquired through increases of capital or bond issues. On March 7, 2022, the Company announced that in light of market conditions, it would postpone the issuance of its 14th Unsecured Bonds (Green Bonds) which were scheduled to be issued in March 2022.

8. Employees

Number of employees	Year-on-year
8,101	-330

Note: 1. All of the shares issued of Sanken Densetsu Co., Ltd. were transferred to GS Yuasa International Ltd. on May 1, 2021, and as a result, the number of employees decreased on a consolidated basis.

2. The number of employees on a non-consolidated basis was 841, an increase of 30 from the end of the previous fiscal year.

9. Major Creditors

Creditors	Loan Outstanding
Development Bank of Japan Inc.	15,000 million yen
Resona Bank, Limited.	9,000 million yen
MUFG Bank, Ltd.	7,188 million yen
Mizuho Bank, Ltd.	5,785 million yen
Saitama Resona Bank, Limited	4,834 million yen
Sumitomo Mitsui Banking Corporation	4,124 million yen
The Hachijuni Bank, Ltd	3,356 million yen

2. Shares of the Company

1. Total number of shares authorized to be issued 51,400,000

2. Total number of shares issued 25,098,060
(The number includes 871,504 shares of treasury stock)

3. Number of shareholders 6,324

4. Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of Ownership
The Master Trust Bank of Japan, Limited (Trust Account)	2,984	12.32%
ECM MF	2,722	11.23%
Custody Bank of Japan, Ltd. (Trust Account)	1,264	5.21%
Saitama Resona Bank, Limited	1,202	4.96%
Goldman Sachs International	959	3.96%
Morgan Stanley MUFG Securities Co., Ltd.	910	3.75%
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	851	3.51%
STATE STREET BANK AND TRUST COMPANY 505103	699	2.88%
Shinsei Trust & Banking Co., Ltd. ECM MF TRUST ACCOUNT 8299005	650	2.68%
MSCO CUSTOMER SECURITIES	541	2.23%

Notes: 1. The Company holds 871,504 shares of treasury shares that are excluded from the major shareholders listed above.
2. Treasury stock does not include 90,100 shares of treasury stock held in trust by Custody Bank of Japan, Ltd. (Trust Account) for the stock delivery trust for Directors and employees.
3. Percentage of ownership is calculated after deducting the number of shares held as treasury shares from the total number of shares issued, and digits below the third decimal place are omitted.

5. Shares provided to Directors in consideration of the execution of their duties for the year under review

The Company provided 2,700 shares of our common stock in consideration of the execution of their duties to two retired Directors (excluding External Directors).

3. Officers of the Company

1. Directors and Audit and Supervisory Board Members

Position	Name	Assignment or significant concurrent office
Director, Chairman	Takashi Wada	
Director, President	Hiroshi Takahashi	
Director	Yoshihiro Suzuki	Senior Vice President, Head, North America Business Strategy Headquarters Chairman of the Board, Allegro Microsystems, Inc.
Director	Kazunori Suzuki	Senior Vice President, Head, Semiconductor Business Corporate Headquarters
Director	Hideki Nakamichi	Senior Corporate Officer, Deputy Head, Semiconductor Business Corporate Headquarters, Head, Marketing Headquarters and General Manager, Design Quality Audit Office
Director	Satoshi Yoshida	Senior Corporate Officer, Head, Power module Headquarters, Semiconductor Business Corporate Headquarters
Director External Independent	Richard R. Lury	Attorney-at-law; External Director, Hitachi Zosen Corporation
Director External Independent	Noriharu Fujita	Certified Public Accountant; Representative, Fujita Noriharu Accounting Firm;
Director External Independent	Takaki Yamada	Vice President, Thai Special Gas Co., Ltd.
Standing Audit and Supervisory Board Member (Full-time)	Akira Ota	
Audit and Supervisory Board Member (Full-time)	Noboru Suzuki	
Audit and Supervisory Board Member External Independent	Atsushi Minami	Attorney-at-law; Partner, Minami Patent & Law Office
Audit and Supervisory Board Member External Independent	Hideki Hirano	External Auditor, Daizo Corporation

Notes: 1. The above describes the facts as of March 31, 2022.

2. Messrs. Hideki Nakamichi, Satoshi Yoshida, and Takaki Yamada, Directors, were newly elected at the 104th Ordinary General Meeting of Shareholders held on June 25, 2021 and assumed office.

3. Mr. Richard R. Lury, Mr. Noriharu Fujita and Mr. Takaki Yamada are External Directors, and Mr. Atsushi Minami and Mr. Hideki Hirano are External Audit and Supervisory Board Members. The Company has appointed all of them as independent officers unlikely to have conflicts of interest with general shareholders and has filed a notification to that effect with the Tokyo Stock Exchange.

4. Mr. Noriharu Fujita, Director, is qualified as a CPA in Japan and the U.S., Mr. Akira Ota, Audit and Supervisory Board Member, has long experience working at accounting and financial divisions of the Company, Mr. Noboru Suzuki, Audit and Supervisory Board Member, has been engaged in accounting audit as an auditor of subsidiaries of the Company for many years, and Mr. Hideki Hirano, Audit and Supervisory Board Member, has long experience working at a financial institution. Accordingly, each of them has extensive knowledge in finance and accounting.

5. Messrs. Masao Hoshino and Hideo Takani, and Ms. Emiko Higashi retired from office as Director upon expiration of their terms of office at the conclusion of the 104th Ordinary General Meeting of Shareholders held on June 25, 2021.

6. Corporate Officers of the Company who do not double as Directors as of March 31, 2022:

Position	Name	Assignment
Senior Corporate Officer	Myungjun Lee	Deputy Head, Marketing Headquarters, Semiconductor Business Corporate Headquarters
Corporate Officer	Makoto Iwata	Semiconductor Business Corporate Headquarters Vice President, Ishikawa Sanken Co., Ltd.
Corporate Officer	Sumio Anzai	General Manager, Work Style Innovation Promotion Division
Corporate Officer	Kazuo Akaishi	Deputy Head, Marketing Headquarters, Semiconductor Business Corporate Headquarters and General Manager, Manufacturing Development Center
Corporate Officer	Yusuke Harada	General Manager, Fab Production Engineering Division, Marketing Headquarters, Semiconductor Business Corporate Headquarters
Corporate Officer	Yasuhisa Kato	General Manager, Quality Assurance Division, Business Promotion Headquarters, Semiconductor Business Corporate Headquarters
Corporate Officer	Toshio Noguchi	Head, Power module Headquarters, Semiconductor Business Corporate Headquarters
Corporate Officer	Katsumi Kawashima	General Manager, General Affairs and Human Resources Division
Corporate Officer	Mizuki Utsuno	Head, Business Promotion Headquarters and General Manager, Promotion Management Division, Semiconductor Business Corporate Headquarters

2. Outline of liability limitation agreement

The Company has entered into an agreement with External Directors and External Audit and Supervisory Board Members to limit their liability for damages arising from negligence of duties pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum liability amount under the agreement is as set forth by laws and regulations.

3. Outline of directors' and officers' liability insurance contract

The Company has entered into a directors' and officers' liability insurance contract with an insurance company to insure Directors, Audit and Supervisory Board Members, and Corporate Officers of the Company and some of its subsidiaries, pursuant to Article 430-3 of the Companies Act. The insurance contract covers damages and litigation costs and expenses to be borne by the insured.

4. Compensation payable to Directors and Audit and Supervisory Board Members

■ Basic concept for the compensation plan for officers

The Company considers its compensation plan for officers (compensation plan for executive officers) as an important corporate governance matter and has adopted a basic concept for the compensation plan as follows.

- Contributing to the procurement of excellent human resources
- Setting levels of compensation appropriate for the role and scope of responsibility for each rank
- Providing incentives toward the increased corporate value and sustainable growth of the Company
- Ensuring transparency and objectivity in the procedure for determining compensation

■ Total amount of compensation paid to Directors and Audit and Supervisory Board Members

Category (number of persons paid)	Total amount of compensation (million yen)	Total amount of compensation by type (million yen)		
		Basic compensation	Short-term incentives	Long-term incentives (share compensation)
Director (12)	303	200	89	13
(of which External Director) (4)	39	39	-	-
Audit and Supervisory Board Member (4)	60	60	-	-
(of which External Audit and Supervisory Board Member) (2)	16	16	-	-

- Notes:
1. The total amount of Directors' basic compensation and short-term incentives is 500 million yen or less per year (including 200 million yen or less for External Directors), the maximum amount of compensation based on the resolution of the 102nd Ordinary General Meeting of Shareholders (held on June 21, 2019). The amount of compensation for Audit and Supervisory Board Members is 80 million yen or less per year, the maximum amount of compensation based on the resolution of the above meeting.
 2. The above short-term incentives are an amount to be paid by resolution of the Board of Directors based on the resolution of the general meeting of shareholders stated in Note 1.
 3. The long-term incentives (share compensation) are stated at an amount posted as expenses for the current fiscal year.
 4. The number of Directors paid and the amount of compensation paid to Directors include those for three Directors (including one External Director) who retired at the conclusion of the 104th Ordinary General Meeting of Shareholders held on June 25, 2021.
 5. Separately from the above, the amount of compensation to the external officers paid by the consolidated subsidiaries of the Company as their external officers is 49 million yen.

■ Overview of the compensation plan for officers

Based on the aforementioned basic concept, the policy for deciding the details of individual compensation, etc. payable to Directors is decided by the Board of Directors based on the results of deliberations by the Compensation Committee, the majority of which is external directors (the “Policy for Deciding the Compensation”). The Policy for Deciding the Compensation is outlined below.

- Compensation for the Company’s Directors is determined according to their rank and role, and consists of basic compensation paid monthly and performance-linked compensation that changes depending on the degree of achievement of earnings targets. Performance-linked compensation is designed to provide short-term incentives paid every fiscal year that vary based on short-term earnings and long-term incentives that vary based on the medium- to long-term earnings and are granted upon their retirement, in principle, under a stock compensation plan (trust type stock issuance).
- With regard to compensation standards for Directors, standard amounts for the total compensation are determined for each rank. To ensure market competitiveness, the adequacy of the standard amounts is verified each year using the findings of a compensation survey administered to major companies in Japan as a benchmark. The ratio of performance-linked compensation and consolidated performance indicators for performance-linked compensation are determined based on the above-mentioned basic concept of the compensation and the results of deliberations by the Compensation Committee. At present, performance-linked compensation is set at about 40% of total compensation when earnings targets are fully achieved.
- Compensation for External Directors consists solely of basic compensation based on the nature of responsibilities for the position of Director, and it is not linked to performance. Also, compensation for Audit and Supervisory Board members consists solely of basic compensation based on the nature of responsibilities for the position of auditor and it is not linked to performance, and compensation for Audit and Supervisory Board members is paid through consultation with Audit and Supervisory Board members.

Fixed portion	Variable portion	
Basic compensation 60%	Performance-linked compensation 40%	
	Short-term incentives 27%	Long-term incentives (stock compensation) 13%

- Short-term incentives vary within a range of 0-150% of standard pay, in principle, and are linked to performance indicators for individual fiscal years in order to further raise the motivation of directors to achieve the Company’s performance targets for that fiscal year. The performance-linked indicators have been determined through deliberations by the Compensation Committee, and consist of consolidated net sales and consolidated operating income, the Company’s key performance targets. Additional individual indicators are set depending on the roles expected of each individual. The results of performance-linked indicators (common items) for the short-term incentives in the current fiscal year are as follows.

	Target value	Actual value	Achievement rate
Consolidated Net sales	156.0 billion yen	175.6 billion yen	113%
Consolidated Operating income	11.5 billion yen	13.7 billion yen	119%

- With regard to long-term incentives, a stock compensation plan has been introduced to enhance the incentive to contribute to medium- and long-term corporate value, align the interests of directors with those of shareholders, and raise the motivation to achieve performance targets and structural reform objectives stated in the Company's medium-term management plan. Long-term incentives vary within a range of 0-150% of standard pay, in principle, and are linked to rank and performance indicators during the period of the medium-term management plan. The performance-linked indicators for all directors have been determined through deliberations by the Compensation Committee, and consist of "consolidated operating income" and "consolidated ROE," placing emphasis on business profitability over the medium and long terms. In addition, as an expression of the Company's commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (TSR) (evaluation relative to TOPIX electric appliances index) has been set as a performance-linked indicator.

■ **Matters relating to resolution of the general meeting of shareholders to determine compensation for Directors**

Compensation for the Company's Directors (excluding External Directors) consisted of basic compensation and bonuses. However, at the Ordinary General Meeting of Shareholders held on June 21, 2019, the compensation plan for officers was revised to the effect that regarding monetary compensation, the total amount of compensation for Directors shall be 500 million yen or less per fiscal year (including 200 million yen or less for External Directors) and the total amount of compensation for Audit and Supervisory Board Members shall be 80 million yen or less per fiscal year.

Separate from the monetary compensation, shareholders at the above meeting approved the introduction of a performance-linked compensation plan in the form of long-term incentives for Directors (excluding External Directors) within the stock compensation amount of 90 million yen per fiscal year. The total number of points to be granted to Directors from the Company is 90,000 points or less per fiscal year (one point corresponds to one share of the Company's stock). The number of Directors was nine (including three External Directors) and the number of Audit and Supervisory Board Members was four (including two External Audit and Supervisory Board Members) at the closing of the above meeting.

Maximum amount of compensation per fiscal year

	Directors		Audit and Supervisory Board Members
		(of which, External Directors)	
Monetary compensation	500 million yen or less		80 million yen or less
		200 million yen or less	
Stock compensation (Maximum amount of money contributed by the Company)	90 million yen or less	(Out of scope)	
Stock compensation (Maximum total number of points to be granted to Directors)	90,000 points or less		

■ **Activities of the Compensation Committee**

Based on the aforementioned basic policy, the Company established the Compensation Committee, a voluntary advisory body to the Board of Directors, to ensure transparency in the Board of Directors' decision-making process and enhance the corporate governance. The Compensation Committee, chaired by an External Director and whose majority members are External Directors, held five meetings in the current fiscal year. Specifically, at the meetings, the committee members discussed several matters including the amount of individual compensation paid to Directors and Corporate Officers as short-term incentives in the current fiscal year, and the determination of performance indicators in connection with fiscal 2021 performance-linked compensation, and the deliberations on these matters by the Compensation Committee were submitted to the Board of Directors.

■ **Matters relating to the delegation of authority pertaining to the determination of individual compensation, etc. for each Director**

Based on the standard amounts for each position determined with reference to that at other companies and degree of contribution to achievements at the company, the amount of individual compensation for each Director is decided by the Chairperson of the Board of Directors (or President and Representative Director in the absence of the Chairperson of the Board of Directors) who is delegated by the Board of Directors by resolution of the Board of Directors, with due respect paid to the advice and report of the voluntary Compensation Committee after deliberations by the said Compensation Committee chaired by an External Director and consisted of External Directors who are the majority members.

Under this policy, to decide the amount of compensation under a new management structure after the ordinary general meeting of shareholders in a timely fashion, the Company delegated the decision-making authority related to the amount of individual compensation payable to Directors in the fiscal year under review from the Board of Directors to Mr. Takashi Wada, the Chairperson of the Board of Directors of the Company as per the advice and report of the Compensation Committee.

■ **Reasons why the Board of Directors deems that the details of individual compensation payable to Directors are in accordance with the Policy for Deciding the Compensation**

Regarding the details of individual compensation payable to Directors in the current fiscal year, basic compensation is determined according to payment standards in line with their rank and role and the performance-linked compensation is determined by the degree of achievement of earnings targets. The Company believes that the details of compensation comply with the Policy for Deciding the Compensation because the details were determined based on the deliberations by the voluntary Compensation Committee chaired by an External Director and consisted of External Directors who are the majority members.

5. External Officers

■ Relationship between the Company and other companies of which significant offices are concurrently held

The relationship between the Company and other companies of which significant offices are concurrently held is as follows, but there is no relationship requiring disclosure between the Company and each of the companies.

Name	Significant concurrent office
External Director Richard R. Lury	External Director, Hitachi Zosen Corporation
External Director Noriharu Fujita	Representative, Fujita Noriharu Accounting Firm
External Director Takaki Yamada	Vice President, Thai Special Gas Co., Ltd.
External Audit and Supervisory Board Member Atsushi Minami	Partner, Minami Patent & Law Office
External Audit and Supervisory Board Member Hideki Hirano	External Auditor, Daizo Corporation

■ Major activities

Name	Major activities
External Director Richard R. Lury	Mr. Richard R. Lury attended all 8 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his experience and knowledge in international corporate legal affairs.
External Director Noriharu Fujita	Mr. Noriharu Fujita attended all 8 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his high-level insight on finance and accounting as a certified public accountant and extensive experience in international fields.
External Director Takaki Yamada	Mr. Takaki Yamada attended all 6 meetings of the Board of Directors held during the period under review after he was newly elected as a Director at the 104th Ordinary General Meeting of Shareholders held on June 25, 2021. He contributed to these meetings with comments based on his experience primarily in corporate management at a semiconductor manufacturer as well as extensive experience in overseas business fields.
External Audit and Supervisory Board Member Atsushi Minami	Mr. Atsushi Minami attended all 8 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his professional perspective as a lawyer. He also attended all 15 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.
External Audit and Supervisory Board Member Hideki Hirano	Mr. Hideki Hirano attended all 8 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on the extensive knowledge and experience he has accumulated over his many years as a corporate executive. He also attended all 15 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.

■ Outline of the duties performed in connection with roles expected of External Directors

Mr. Richard R. Lury

Mr. Richard R. Lury has served as a partner at a U.S. law firm for many years and has experience and expertise in international corporate legal affairs. He has given valuable advice and opinions from the viewpoint of promoting global management. He also has supervised management from an objective perspective as an attorney-at-law based on an independent standpoint and contributed significantly to strengthening the supervisory function of the Board of Directors of the Company. He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, he also serves as a member of the Growth Innovation Committee and has made contributions to the promotion of the Group growth strategies.

Mr. Noriharu Fujita

Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experience as a partner of a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the accounting audit of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as almost nine years have passed since his retirement from the above audit corporation, he maintains an independent standpoint and supervises the Company's management from an objective viewpoint. He serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, he also serves as a member of the Growth Innovation Committee and has made contributions to the promotion of the Group growth strategies.

Mr. Takaki Yamada

Mr. Takaki Yamada has many years of operational and managerial experience at a semiconductor manufacturer and is well-versed in the semiconductor industry and its business activities. Based on his extensive experience in global business fields, he has led large-scale projects for manufacturers in different industries. Currently, he is engaged in the development of new businesses at overseas companies, and has gained diverse experience and a broad network. Based on his experience and insight, he has given valuable advice and opinions that can help the Group move toward with its business as a semiconductor manufacturer. He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, he also serves as a member of the Growth Innovation Committee and has made contributions to the promotion of the Group growth strategies.

4. Accounting Auditors

1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

2. Compensation paid to Accounting Auditor for the year under review

Classification	Amount paid
Compensation paid or payable to the Accounting Auditor concerning the audit services for the year under review	78 million yen
The total amount of money and property interests paid or payable to the Accounting Auditor for the Company and subsidiaries	79 million yen

Notes: 1. The Audit contract between the Company and the Accounting Auditor does not separate the compensation concerning the Audit for the Companies Act from the compensation concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount described in (i) represents the total amount of these compensations.

2. Some subsidiaries of the Company employ certified public accountants or audit corporations (or persons with equivalent qualifications in foreign countries concerned) for auditing.

3. The Company commissions and pays compensation for the preparation of comfort letters, in addition to the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, to the Accounting Auditor.

4. Reasons for the agreement by the Audit and Supervisory Board on compensation paid to the Accounting Auditor

- The Audit and Supervisory Board conducted a required examination to determine whether or not the contents of the Accounting Auditor's auditing plans, status of the performance of duties of the accounting audit, basis for calculating the estimated compensation, etc. were appropriate, and thereupon decided to agree on compensation, etc. as set forth in Article 399, Paragraph 1 of the Companies Act, in accordance with the "Practical Guidance for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

3. Policy for determining the dismissal or non-reappointment of Accounting Auditor

If the Audit and Supervisory Board has judged that it will be necessary to dismiss or forego reappointment of an Accounting Auditor, such as in cases when the execution of duties by an Accounting Auditor is adversely affected, the Audit and Supervisory Board shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders, and thereupon the Board of Directors shall submit the proposal to the General Meeting of Shareholders.

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, such Accounting Auditor shall be dismissed subject to the unanimous approval at the Audit and Supervisory Board. In this case, one of the Audit and Supervisory Board members designated by the Audit and Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for the dismissal to the first shareholders' meeting to be convened after the dismissal.

5. System for Ensuring Appropriate Conduct of Operations and Outline of the Status of Implementation of the System

1. System for Ensuring Appropriate Conduct of Operations

The Company's Board of Directors adopted a series of resolutions on the system to ensure proper operation, as follows:

■ **System for ensuring that the directors and employees perform their duties in accordance with laws, regulations, and the Article of Incorporation.**

- 1) The Board of Directors deliberates material business execution, supervises the execution of duties by each director, and checks legality, in accordance with "Regulations of the Board of Directors."
- 2) The Company establishes and implements a "Management Philosophy," "Code of Conduct," and "Sanken Conduct Guideline." The Company also ensures that the executives and employees comply with laws, regulations and the Articles of Incorporation, by familiarizing them with the compliance mindset and the importance of compliance and by implementing ongoing educational training activities, both arranged by Representative Directors.
- 3) The internal audit department audits the performance of duties in the Company and each of the group companies and ensures the effectiveness of the compliance system by making the most of a whistle-blowing protocol.
- 4) To appropriately respond to the internal control report system (hereinafter referred to as "J-SOX") under the Financial Instruments and Exchange Act, the Company has established a person in charge of J-SOX at its internal audit department and secures the reliability of financial information by undertaking a company-wide review of the control systems and measures to improve the systems on an ongoing basis.
- 5) The Company has no relationship with antisocial forces. The Company usually endeavors to establish close relationships and cooperation systems with external organizations such as police agencies and lawyers. Should the Company be subject to an undue claim, it will adopt a resolute stand and decisively refuse it.

■ **System for the storage and management of information with regard to the execution of duties by directors**

The Minutes of the Board of Directors and other documents and records on important meetings, as well as the results of decision-making and other records on business execution, shall be appropriately stored and managed in accordance with laws, regulations, and various internal rules.

■ **Rules and other aspects of the system for managing risks of loss**

- 1) Risks associated with key investments or new businesses are discussed from various viewpoints and determined deliberatively at the Board of Directors, Management Committee, and other important meetings.
- 2) The internal audit department recognizes and analyzes risks in the course of business for the Company and group companies through internal audits. The Crisis Management Committee implements unified, cross-sectional, and group-wide risk management.

■ **System for ensuring that the duties of the directors are efficiently performed**

- 1) The Board of Directors formulates the mid-term management plan and annual budget, and checks the progress of business execution based on the report on the progress of achievement, while the Management Committee is responsible for monthly performance management.
- 2) The Management Committee discusses basic and material matters among the items on the agenda to be resolved at the Board of Directors and the business operations to be executed by the Representative Directors. It also performs business promptly and flexibly using the corporate officer system.
- 3) The Company develops "the Fundamental Standards for Organization and Authorities," "the Regulations on the Division of Duties," etc. to clarify the responsibilities and authorities of each department. The Company also conducts efficient decision-making and business execution through efforts for the appropriate division of duties and cooperation among organizations.

- **System for ensuring appropriate business operations within the Company and within each group company**
 - 1) When necessary, the Company sends its officers and employees to Group companies as incoming directors to follow up on the Company's management policy, determine material business-related issues, and promote efficient management.
 - 2) The scope of duties, authorities and responsibilities between the Company and each group company, as well as the matters to be reported to the Company, are clarified in accordance with “the Administration Standards for Subsidiaries and Affiliates” and “the Management Guidelines.”
 - 3) An organization in charge of each group company is established at the Company to bear responsibility for the guidance of management and enhancement of managerial performance through close information sharing.

- **Matters regarding employees appointed for the support of Audit and Supervisory Board members when so requested by Audit and Supervisory Board members**
 - 1) Staff of the Legal department will assist the deskwork of the Secretariat's Office of Audit and Supervisory Board.
 - 2) When the Audit and Supervisory Board members so request, the appointment and other personnel affairs of exclusive staff for the support of the Audit and Supervisory Board members shall be determined through consultation among the directors and Audit and Supervisory Board members.
 - 3) Such exclusive staff shall comply with instructions from each Audit and Supervisory Board member to ensure their independence from directors and the effectiveness of the instructions from the Audit and Supervisory Board members.

- **System for reporting to Audit and Supervisory Board members**
 - 1) Standing Audit and Supervisory Board members attend the Management Committee meetings, inspect and receive principal documents, thereby obtain information on the businesses of the Company and group companies, and report the contents of such information to the Audit and Supervisory Board.
 - 2) Each of the directors, internal audit department, and the Accounting Auditor meet with the Audit and Supervisory Board members regularly to report the management situations of the Company and group companies and audit results.
 - 3) If officers or employees find any fact or event which is likely to cause material damage to the Company or any of the group companies or discover any illegal actions in the course of business operations, such officers or employees must report the matter to the Audit and Supervisory Board members.
 - 4) The internal audit department reports the results of internal audits, the status of implementation of the whistle-blowing protocol, and the contents of whistle-blowing to the Audit and Supervisory Board members.
 - 5) Regulations on the whistle-blowing protocol are stipulated to ensure that a whistle-blower will not be subjected to any disadvantageous treatment because of the said whistle-blowing.

- **Policy for handling expenses and liabilities incurred from the execution of duties by Audit and Supervisory Board members**

If, with respect to any expenses to be incurred when Audit and Supervisory Board members perform their duties, the Audit and Supervisory Board members request the Company to pay them in advance, repay them, or otherwise, the Company shall promptly process the expenses unless they are judged to be unnecessary.

- **Other system for ensuring effective auditing by the Audit and Supervisory Board members**

The Audit and Supervisory Board draws up the auditing standards, audit plans, and audit policies. Each Audit and Supervisory Board member conducts audits properly based on his own expertise and experience. An efficient and highly effective audit system is realized through these efforts.

2. Outline of the Status of Implementation of the System for Ensuring Appropriate Conduct of Operations

■ Status of efforts for compliance

The internal audit department decides themes and conducts internal audits of the Company. Group companies regularly implement internal audits of overall administration systems as well. The planning, progress, and results of these internal audits are regularly reported to the Audit and Supervisory Board members. With respect to the internal control report system (hereinafter referred to as “J-SOX”) under the Financial Instruments and Exchange Act, a person in charge of J-SOX at the internal audit department continuously implements company-wide reviews and improvements in efforts to ensure the reliability of financial information. The Company regularly implements educational training activities on the contents of the “Sanken Conduct Guideline,” the Company’s basic manual for compliance, and strives to thoroughly spread the compliance mindset. Further, the Company has developed and manages a whistle-blowing protocol, and the implementation status and contents of whistle-blowing are regularly reported to the Audit and Supervisory Board members. The officers and employees always pay due attention with respect to the Company’s responses to antisocial forces, while the Company continuously exchanges related information with external organizations such as police agencies and relevant bodies to develop ongoing cooperation systems.

■ Status of efforts for managing risks of loss

The Company has established the Crisis Management Committee as an organization to supervise risk. The Crisis Management Committee meetings were held twice for the year under review to endeavor to understand, analyze, and respond to risk. Further, in response to the COVID-19 pandemic, the Company has continued activities of the special emergency headquarters in an effort to grasp, analyze and respond to the effect of the pandemic on its businesses. The Company has implemented measures to prevent infections, have employees accustomed to working from home, arrange PCR tests for employees on business trips and those who wish to take the test, and conducted workplace COVID-19 vaccinations three times.

With respect to internal audits and the whistle-blowing protocol, if any fact or event which is likely to cause material damage to the Company or any of the group companies is found or any illegal actions in the course of business operations is discovered through the implementation of internal audits and the whistle-blowing protocol, the contents of whistle-blowing are reported to the Audit and Supervisory Board members each time, and advice and corrections are decided on a case-by-case basis.

■ Status of efforts for ensuring the appropriateness and efficiency of the execution of duties

The Board of Directors consists of nine Directors, including three External Directors. Four Audit and Supervisory Board members, including two External Audit and Supervisory Board members, also attend the Board of Directors meetings. The Board of Directors meetings were held eight times during the year under review to deliberate proposals, supervise the status of business execution, and actively exchange opinions including candid exchanges of view from the External Officers. Furthermore, regarding the effectiveness of the Board of Directors, which is evaluated every year based on the Corporate Governance Code, following the deliberation by the Board of Directors on the results of a questionnaire survey and interview with External Directors, the evaluation for the year under review concluded that the Company’s efforts in corporate governance continue to improve and the effectiveness of the Board of Directors had been ensured in general. We therefore believe that the effectiveness of decision-making and supervision of the Board of Directors is ensured.

■ Status of efforts for the appropriateness of business within the group

The Company sends its officers and employees to group companies to follow up on the Company's management policy, determine material business-related issues, and promote efficient management. The Company stipulates and implements matters to be discussed in advance between each group company and a department in charge at the Company.

■ Status of efforts for ensuring the effectiveness of audits by the Audit and Supervisory Board members

The Audit and Supervisory Board comprises four Audit and Supervisory Board members, including two external Audit and Supervisory Board members. Audit and Supervisory Board meetings were held 15 times during the year under review to carry out discussions and adopt resolutions after reports on important matters related to audits were received. Further, the Audit and Supervisory Board members regularly meet the President and internal audit department, as well as the Accounting Auditor, to exchange opinions mainly on the development and implementation status of compliance and internal control.

6. Basic Policy on Control of the Company

1. Basic Policy on Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company

As a listed Company, the stock of the Company may be traded freely by shareholders and investors, and the Board of Directors believes that the composition of persons to control decision-making over the financial and business policies of the Company should ultimately be decided by the will of the shareholders, and that the final judgment as to whether to sell the shares of the Company in response to a mass acquisition of the shares of the Company should ultimately be decided based on the will of the shareholders holding the shares.

However, the management of the Company and the Company Group requires a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to management. Persons to control decision-making over financial and business policies of the Company require this understanding in order to appropriately judge the shareholder value to be realized in the future, and could potentially significantly damage the Company's corporate value and the common interests of the shareholders without it.

In addition, there is a possibility that some Large Purchases, such as to persons related to the Company conducting transactions at high prices, could substantially impair the common interests of the shareholders. In such cases, in order for the Company to appropriately receive the judgment of the shareholders regarding the relative merits and demerits of a given large-scale purchase, the Company will both request the supply of required information from the entity attempting to engage in the large-scale purchase and will also strive to ensure there is an appropriate amount of time for the disclosure of such information and deliberation on it by shareholders. Regarding the extents that are permitted by laws and regulations such as the Financial Instruments and Exchange Act, we believe that appropriate measures should be taken (Hereinafter referred to as the "Basic Policy").

2. Measures Taken to Realize the Basic Policy and Increase Corporate Value

The Company has acted in accordance with its Management Philosophy, which states that the Company should endeavor to create and innovate technologies in its core business of semiconductors, expand global business based on proprietary technologies, and ensure a firm management base in order to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment. Furthermore, as a medium- to long-term management strategy, the Company has developed a medium-term management plan covering a three-year period that the entire Group has worked toward.

Also, the Company is involved in efforts to gain an appropriate evaluation of its corporate value by deepening understanding through closer dialogues with various stakeholders regarding its position as a proprietary power semiconductor manufacturer as well as its management policies and plans meant to maximize use of this position.

In order to strengthen corporate governance, the company has strengthened the supervisory function of the Board of Directors by electing independent External Directors and by developing a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company's term of office for Directors is one year.

The Board of Directors believes that these measures improve the Company's corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the Basic Policy, and are in the common interests of the shareholders.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2022)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	148,729	148,173
Cash and deposits	58,959	60,990
Notes and accounts receivable — trade	35,617	36,962
Merchandise and finished goods	14,153	15,864
Work in process	21,392	19,782
Raw materials and supplies	6,471	5,592
Other	12,154	9,027
Allowance for doubtful receivables	(18)	(46)
Non-current assets	96,002	85,500
Total property, plant and equipment	74,587	67,566
Buildings and structures	26,869	20,635
Machinery, equipment and vehicles, net	32,656	30,328
Tools, furniture and fixtures, net	1,238	1,317
Land	5,243	5,812
Lease assets, net	1,994	47
Construction in progress	6,584	9,425
Intangible assets	8,146	8,141
Software	1,678	2,065
Goodwill	1,954	1,959
Other	4,513	4,116
Investments and other assets	13,268	9,792
Investment securities	2,484	990
Deferred tax assets	2,781	3,484
Net defined benefit asset	2,070	1,776
Other	6,013	3,617
Allowance for doubtful receivables	(80)	(76)
Total Assets	244,732	233,673

Note: Figures less than one million are rounded down to the nearest million.

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	52,477	76,627
Notes and accounts payable - trade	17,916	20,870
Short-term loans payable	10,681	12,357
Current portion of long-term loans payable	626	646
Current portion of bonds	—	15,000
Commercial paper	6,000	4,000
Lease obligations	478	31
Accrued expenses	13,215	12,615
Income taxes payable	625	2,151
Provision for performance-linked directors' compensation	—	72
Provision for performance-linked compensation	224	—
Provision for loss on transfer of business	—	1,339
Provision for business structure reform	366	2,414
Other	2,342	5,128
Non-current liabilities	54,850	43,795
Bonds payable	5,000	5,000
Long-term loans payable	43,015	33,329
Lease obligations	1,581	23
Deferred tax liabilities	1,479	1,018
Provision for share-based compensation	76	43
Provision for Directors' retirement benefits	25	41
Net defined benefit liability	2,405	2,632
Other	1,267	1,706
Total Liabilities	107,327	120,422
(Net Assets)		
Shareholders' equity	88,624	84,153
Capital stock	20,896	20,896
Capital surplus	62,701	60,882
Retained earnings	9,248	6,599
Treasury shares	(4,222)	(4,226)
Accumulated other comprehensive income	6,349	(577)
Valuation difference on available-for-sale securities	101	46
Foreign currency translation adjustment	7,570	1,332
Remeasurements of defined benefit plans	(1,322)	(1,955)
Non-controlling interests	42,430	29,674
Total Net Assets	137,404	113,250
Total Liabilities and Net Assets	244,732	233,673

Note: Figures less than one million are rounded down to the nearest million.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2021 to March 31, 2022)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	175,660	156,795
Cost of sales	120,475	117,659
Gross profit	55,184	39,135
Selling, general and administrative expenses	41,464	40,333
Operating income (loss)	13,720	(1,198)
Non-operating income	1,459	899
Interest income	87	91
Dividends income	28	28
Foreign exchange gains	387	—
Gains on sale of waste	84	162
Subsidies for employment adjustment	—	256
Gain on valuation of investment securities	354	—
Miscellaneous income	516	360
Non-operating expenses	1,479	3,107
Interest expenses	565	891
Foreign exchange losses	—	615
Product compensation expenses	221	7
Expenses related to advanced repayment of loans	—	960
Miscellaneous loss	692	632
Ordinary income (loss)	13,700	(3,406)
Extraordinary income	1,628	63
Gains on sale of non-current assets	1,626	42
Gain on sale of investment securities	2	20
Extraordinary losses	2,053	3,854
Loss on sales of non-current assets	26	212
Environmental expenses	51	—
Loss on valuation of investment securities	4	54
Loss on liquidation of subsidiaries and affiliates	—	42
Impairment losses	6	18
Business restructuring expenses	1,938	1,663
Provision for business structure reform	26	523
Provision for loss on transfer of business	—	1,339
Income (loss) before income taxes and non-controlling interests	13,275	(7,197)
Income taxes – current	2,136	1,818
Income taxes – deferred	907	(2,671)
Income taxes for prior periods	123	(357)
Profit (loss)	10,107	(5,986)
Profit attributable to non-controlling interests	6,903	965
Profit (loss) attributable to owners of parent	3,204	(6,952)

Note: Figures less than one million are rounded down to the nearest million.

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2022)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	87,931	97,966
Cash and deposits	19,146	33,616
Notes receivable	2	281
Electronically recorded monetary claims - operating	2,453	2,388
Accounts receivable — trade	21,924	20,890
Merchandise and finished goods	11,739	10,934
Work in process	280	244
Raw materials and supplies	1,746	1,615
Prepaid expenses	426	405
Short-term loans receivable	12,851	9,981
Accounts receivable — other	19,925	18,792
Other	603	192
Allowance for doubtful receivables	(3,169)	(1,376)
Fixed assets	38,149	41,879
Tangible fixed assets	7,266	7,707
Buildings	5,873	2,117
Structures	181	88
Machinery and equipment	192	409
Autos and trucks	0	0
Tools, furniture and fixtures	412	415
Land	553	511
Lease assets	0	0
Construction in progress	51	4,166
Intangible assets	1,457	1,869
Software	1,457	1,869
Other	0	0
Investments and other assets	29,424	32,301
Investment securities	965	979
Investments in subsidiaries and affiliates	8,741	12,050
Investments in other securities of subsidiaries and associates	4,656	4,656
Long-term loans receivable	12,743	12,297
Prepaid pension cost	2,972	2,699
Other	442	566
Allowance for doubtful receivables	(1,097)	(950)
Total Assets	126,080	139,845

Note: Figures less than one million are rounded down to the nearest million.

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	34,987	55,516
Notes payable	464	793
Electronically recorded monetary claims - operating	4,206	1,341
Accounts payable — trade	9,660	13,093
Short-term loans payable	9,886	11,582
Current portion of bonds	—	15,000
Commercial paper	6,000	4,000
Accounts payable — other	970	3,067
Accrued expenses	1,823	2,158
Accrued income taxes	146	1,831
Advances received	55	44
Deposits received	44	53
Provision for performance-linked officer's compensation	—	43
Provision for performance-linked compensation	177	—
Provision for loss on business of subsidiaries and affiliates	370	1,728
Other	1,182	779
Long-term liabilities	44,028	33,633
Bonds payable	5,000	5,000
Long-term bank loans	38,000	28,000
Deferred tax liabilities	620	517
Provision for share-based compensation	58	35
Other	349	81
Total Liabilities	79,016	89,150
(Net Assets)		
Shareholders' equity	46,963	50,647
Common stock	20,896	20,896
Capital surplus	10,207	10,207
Capital reserve	5,225	5,225
Other capital surplus	4,982	4,982
Retained earnings	20,081	23,768
Other retained earnings	20,081	23,768
Reserve for advanced depreciation of fixed assets	29	32
Retained earnings carried forward	20,051	23,736
Treasury stock	(4,222)	(4,226)
Valuation and translation adjustments	101	47
Unrealized gain on securities	101	47
Total Net Assets	47,064	50,694
Total Liabilities and Net Assets	126,080	139,845

Note: Figures less than one million are rounded down to the nearest million.

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2021 to March 31, 2022)

Account item	Current fiscal year (millions of yen)	(For reference) Previous fiscal year (millions of yen)
Net sales	98,620	94,443
Cost of sales	93,499	89,742
Gross profit	5,121	4,701
Selling, general and administrative expenses	7,494	8,666
Operating loss	(2,372)	(3,965)
Other income	1,410	15,941
Interest income	172	150
Dividends income	779	15,647
Foreign exchange gains	156	—
Miscellaneous income	301	143
Other expenses	1,574	1,843
Interest expenses	373	443
Foreign exchange losses	—	864
Product compensation expenses	221	7
Provision of allowance for doubtful accounts for subsidiaries and affiliates	143	274
Provision for loss on business of subsidiaries and affiliates	435	—
Miscellaneous losses	400	253
Ordinary income (loss)	(2,537)	10,132
Extraordinary income	538	19,036
Gain on sale of fixed assets	5	8
Gain on sale of investment securities	2	20
Gain on sale of shares of subsidiaries	—	18,917
Gain on liquidation of subsidiaries	—	0
Gain on liquidation of subsidiaries and affiliate	530	—
Gain on extinguishment of tie-in shares	—	88
Extraordinary loss	877	3,695
Loss on disposition of fixed assets	0	96
Loss on valuation of investment securities	—	54
Provision for loss on business of subsidiaries and affiliates	—	392
Impairment loss	427	—
Environmental expenses	51	—
Business restructuring expenses	399	3,152
Income (loss) before income taxes	(2,876)	25,473
Income taxes	53	2,690
Deferred income taxes	79	(9)
Income taxes for prior periods	123	—
Net income (loss)	(3,133)	22,792

Note: Figures less than one million are rounded down to the nearest million.

INDEPENDENT AUDITORS' REPORT

May 23, 2022

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Yoshimi Kimura, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Tomohiro Hazama, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Sanken Electric Co., Ltd. (the "Company") for the fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

The other information comprises the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board and its members are responsible for overseeing Directors' performance of duties in relation to the development and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

INDEPENDENT AUDITORS' REPORT

May 23, 2022

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Yoshimi Kimura, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Tomohiro Hazama, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Sanken Electric Co., Ltd. (the "Company") for the 105th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Matters

The other information comprises the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board and its members are responsible for overseeing Directors' performance of duties in relation to the development and operation of the reporting process of the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

AUDIT REPORT

The Audit and Supervisory Board, following review and deliberations on the reports made by each Audit and Supervisory Board Member concerning the methods and results of the audit of execution of duties by Directors of the Board for the 105th fiscal term from April 1, 2021 to March 31, 2022, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods by Audit and Supervisory Board Members and Audit and Supervisory Board

- (1) The Audit and Supervisory Board established the auditing policies and division of duties, received reports and explanations regarding the status of audits and the results thereof from each Audit and Supervisory Board Member, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit and Supervisory Board Members determined by the Audit and Supervisory Board and the auditing policies and division of duties, each Audit and Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, CSR Office, which is an internal audit division, and other employees while utilizing an online format, and conducted audit in accordance with the following procedures.
 - 1) Each Audit and Supervisory Board Member attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees and requested explanations as necessary. Each Audit and Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at its head office and each office. In addition, each Audit and Supervisory Board Member received from subsidiaries their business reports as necessary through communication and information sharing with their Directors and others.
 - 2) With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the Directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as specified in the business reports and the establishment of the system necessary to ensure proper business operations of the company group, which consists of joint stock company and its consolidated subsidiaries, as set forth in Items 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Audit and Supervisory Board Member regularly received reports from directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his opinions.
 - 3) Based on discussion of the Board of Directors, the Audit and Supervisory Board Members reviewed the details of the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.
 - 4) Each Audit and Supervisory Board Member monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Board Member also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Ordinance on Accounting of Companies in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and explanatory notes to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and explanatory notes to the consolidated financial statements) for the current fiscal year.

2. Results of Audit

(1) Results of audit of business report

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company;
- 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the content of business reports description on such internal control and the execution of duties by Directors; and
- 4) There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC., are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC., are fair and reasonable.

May 26, 2022

The Audit and Supervisory Board of Sanken Electric Co., Ltd.

Akira Ota (Seal)
Standing Audit and Supervisory Board Member
(Full-time)

Noboru Suzuki (Seal)
Audit and Supervisory Board Member (Full-time)

Atsushi Minami (Seal)
External Audit and Supervisory Board Member

Hideki Hirano (Seal)
External Audit and Supervisory Board Member

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references

Proposal No. 1: Appropriations of Surplus

The Company places returning profits to shareholders as one of the most important corporate policies, and is committed to ensure a steady and stable stream of dividends by enhancing profitability through aggressive business development and improving financial performance, while securing internal reserves necessary to strengthen an overall management foundation.

The Company proposes to pay the year-end dividend for the fiscal year under review of 15 yen per share in line with the above basic policy for dividends. As a result, the annual dividend for the current fiscal year will be 30 yen per share, including the interim dividend of 15 yen per share already paid.

Year-end dividend

(1) Allotment of property dividend to shareholders and the total amount	15.00 yen per share of common stock of the Company Total amount: 363,398,340 yen
(2) Effective date of distribution of surplus	June 27, 2022

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for the proposal

(1) Amendments to the purpose of the Company's business

In order to clarify the Company's business objectives in accordance with the present situation of its business, the Company proposes the amendments to the purpose defined in Article 2 of the current Articles of Incorporation.

(2) Amendments in line with the introduction of the system for electronic provision of materials for general meetings of shareholders

The revised provisions set forth in the "Act Partially Amending the Companies Act" (Act No. 70 of 2019), which stipulates the introduction of the system for electronic provision of materials for general meetings of shareholders, will come into effect on September 1, 2022. To prepare for the introduction of the system, the Company proposes the following amendments to the Articles of Incorporation of the Company.

- 1) Article 16, Paragraph 1 in "Proposed amendments" below stipulates that information that constitutes the content of reference documents for the general meeting of shareholders, etc., shall be provided electronically.
- 2) Article 16, Paragraph 2 in "Proposed amendments" below establishes the provisions to limit the scope of the matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents.
- 3) Since the provisions concerning Internet disclosure and deemed provision of reference documents for general meetings of shareholders (Article 16 of the current Articles of Incorporation) will no longer be necessary, these will be deleted.
- 4) Accompanying the new establishments and deletions as referred to items 1) through 3) above, supplementary provisions regarding the effective date, etc. shall be established.

2. Contents of the amendments

The contents of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed amendments
<p style="text-align: center;">CHAPTER 1 GENERAL PROVISIONS</p> <p>(Purpose) Article 2 The Company's purpose shall be to conduct the following businesses.</p> <ol style="list-style-type: none"> 1. <u>Manufacture, sale and purchase of electric equipment and apparatuses</u> 2. <u>Electric works, telecommunication works, and any other construction works incidental to the preceding item</u> 3. All matters related to the conduct of the business stated in the preceding items. <p style="text-align: center;">CHAPTER 3 GENERAL MEETINGS OF SHAREHOLDERS</p>	<p style="text-align: center;">CHAPTER 1 GENERAL PROVISIONS</p> <p>(Purpose) Article 2 The Company's purpose shall be to conduct the following businesses.</p> <ol style="list-style-type: none"> 1. <u>Manufacture and sale of electric parts, devices, and electrical circuits</u> 2. <u>Manufacture and sale of electric equipment and apparatuses</u> 3. All matters related to the conduct of the business stated in the preceding items. <p style="text-align: center;">CHAPTER 3 GENERAL MEETINGS OF SHAREHOLDERS</p>

Current Articles of Incorporation	Proposed amendments
<p><u>(Internet disclosure and deemed provision of reference documents for general meetings of shareholders, etc.)</u> <u>Article 16</u> <u>Upon convocation of general meetings of shareholders, the Company may be deemed to have provided the information relating to the matters to be described or indicated in the reference documents for the general meetings of shareholders, business report, non-consolidated financial statements or consolidated financial statements, to the shareholders by disclosure through the Internet in accordance with the Ordinance of the Ministry of Justice.</u></p>	<p><Deleted></p>
<p><Newly established></p>	<p><u>(Measures for electronic provisions, etc.)</u> <u>Article 16</u> <u>1. In the convocation of general meetings of shareholders, the Company shall provide electronically information that constitutes the content of reference documents for the general meeting of shareholders, etc.</u> <u>2. Among matters to which electronic provision measures apply, the Company may choose not to record all or part of matters designated by the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who request provision of physical documents by the record date of voting rights.</u></p>
<p><Newly established></p>	<p><u>(Supplementary provisions)</u> <u>1. The amendments to the Articles of Incorporation pertaining to Article 16 shall be effective from September 1, 2022, which is the date of enactment of the revised provisions provided for in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the “Enactment Date”).</u> <u>2. Notwithstanding the provision of the preceding paragraph, Article 16 of the Articles of Incorporation before amendments (Internet disclosure and deemed provision of reference documents for general meetings of shareholders, etc.) shall remain effective for general meetings of shareholders held on a date within six months of the Enactment Date.</u> <u>3. These supplementary provisions shall be deleted on the date when six months have elapsed from the Enactment Date or three months have elapsed from the date of the general meeting of shareholders pursuant to the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of Nine Directors

All nine directors will complete their respective terms of office at the conclusion of this meeting. Therefore, we shall propose the election of nine directors.

The table below lists the nominees for those positions.

No.	Name		Current position and responsibility at the Company	Attendance at Board of Directors meetings
1	Hiroshi Takahashi	Reelection	President and Representative Director	100% (8/8)
2	Hideki Nakamichi	Reelection	Director, Senior Corporate Officer Head, Marketing Headquarters and General Manager, Design Quality Audit Office	100% (6/6)
3	Satoshi Yoshida	Reelection	Director, Senior Corporate Officer Head, Power Module and Device Headquarters	100% (6/6)
4	Myungjun Lee	Newly appointed	Senior Corporate Officer Deputy Head, Marketing Headquarters	–
5	Katsumi Kawashima	Newly appointed	Corporate Officer Head, Corporate Design Headquarters	–
6	Mizuki Utsuno	Newly appointed	Corporate Officer Head, Business Promotion Headquarters and General Manager, Promotion Management Division	–
7	Noriharu Fujita	Reelection External Independent	Director Chairperson of Nomination Committee and Compensation Committee	100% (8/8)
8	Takaki Yamada	Reelection External Independent	Director Member of Nomination Committee and Compensation Committee	100% (6/6)
9	Yoko Sanuki	Newly appointed External Independent	–	–

(Reference) Skills matrix under the new management structure

- Below is the skills matrix of the new management subject to shareholder approval of Proposal 3 (Election of the Directors) and Proposal 4 (Election of the Audit and Supervisory Board Members) in this General Meeting of Shareholders.
- This skills matrix was prepared with the following items to ensure that the Board of Directors fulfills its roles and responsibilities appropriately and contributes to the realization of the Group's medium- to long-term growth strategy. The Board of Directors deliberates and selects candidates for the Board of Directors based on the skills matrix after deliberations by the Nomination Committee.

Name	Corporate Management	Finance and Accounting	Industry knowledge	R&D Manufacturing	Sales Marketing	ESG SDGs	DX	Inter-nationality	Legal Affairs Risk Management
Director Hiroshi Takahashi	○	○	○	○		○	○	○	
Hideki Nakamichi	○		○	○	○			○	
Satoshi Yoshida			○		○	○		○	
Myungjun Lee	○	○	○	○	○			○	
Katsumi Kawashima	○	○	○			○			○
Mizuki Utsuno	○	○	○	○	○		○		
Noriharu Fujita		○						○	
Takaki Yamada	○	○	○	○	○			○	
Yoko Sanuki						○			○
Audit and Supervisory Board Member Noboru Suzuki		○	○						○
Yasuhisa Kato			○	○		○			
Atsushi Minami									○
Hideki Hirano	○	○							

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	<p style="text-align: center;">Hiroshi Takahashi (February 1, 1964) <Reelection></p>	<p>April 1986: Entered the Company April 2012: Vice General Manager, MCD Division, Engineering Headquarters April 2015: General Manager, M CBD Division, Engineering Headquarters April 2018: Head, Production Headquarters, Device Business Corporate Headquarters June 2018: Corporate Officer June 2020: Director and Senior Corporate Officer June 2021: President and Representative Director (to the present)</p>	3,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Hiroshi Takahashi has been engaged in the development of semiconductor device products for a long period and has played a leading role in the technological development of motor control. In April 2018, he served as Head, Production Headquarters, Device Business Corporate Headquarters. Since then he has fulfilled an important responsibility by playing the role of an engine for semiconductor device production for the entire corporate group, and has driven the structural reform measures for production system optimization in the semiconductor device business sector since 2019. He also has taken a leading role in drafting the Medium-Term Management Plan 2021. Since assuming the position of President in June 2021, he has forged ahead to achieve the plan for the Group's growth over the medium to long term. Further, he established the Sustainability Committee in an effort to enhance the ESG promotion structure and strengthen the EGS initiatives, while also bringing together the efforts of a number of employees in addressing environmental, social, and governance issues.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>	

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
2	Hideki Nakamichi (January 10, 1959) <Reelection>	September 1987: Entered SET Engineering Co., Ltd. April 1991: Director, General Manager, Development Division, SET Engineering Co., Ltd. May 1997: Entered the Company April 2007: General Manager, PCD Division, Engineering Headquarters June 2013: Corporate Officer October 2013: Deputy Head, Engineering Headquarters April 2018: Head, Engineering Headquarters, Device Business Corporate Headquarters June 2018: Senior Corporate Officer (to the present) April 2021: Deputy Head, Semiconductor Business Corporate Headquarters and Head, Marketing Headquarters and General Manager, Design Quality Audit Office June 2021: Director (to the present) April 2022: Head, Marketing Headquarters and General Manager, Design Quality Audit Office (to the present)	4,000
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Hideki Nakamichi has been engaged in the development of semiconductor products for many years before and since joining the Company and contributed to the technical development of similar products at the Company. Since assuming offices as Deputy Head of Engineering Headquarters in October 2013 and Head of Engineering Headquarters in April 2018, he has had an important responsibility as the head of the technology development division in leading various business structural reforms and administering the Company's technology development operations. Since April 2021 as Head of Marketing Headquarters, he has held a role to manage the technology development and the marketing field.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
3	Satoshi Yoshida (September 22, 1962) <Reelection>	<p>April 1985: Entered the Company</p> <p>October 2011: Deputy General Manager, Western Japan Sales Division, Sales Headquarters</p> <p>April 2012: General Manager, Western Japan Sales Division, Sales Headquarters</p> <p>April 2017: General Manager, Eastern Japan Sales Division, Sales Headquarters</p> <p>June 2017: Corporate Officer</p> <p>April 2021: Head, Power module Headquarters, Semiconductor Business Corporate Headquarters</p> <p>June 2021: Director, Senior Corporate Officer (to the present)</p> <p>April 2022: Head, Power Module and Device Headquarters (to the present)</p>	1,400
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Satoshi Yoshida has been engaged in the sales of semiconductor device products for many years. Based on his extensive business experience with major automotive component manufacturers, he has contributed to the sales promotion of similar products throughout the country and the establishment of an agency network. Since assuming office as Head of Power module Headquarters in April 2021 and as Head of Power Module and Device Headquarters in April 2022, he has held roles to manage domestic and overseas sales and production of power module products of the Company.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
4	<p style="text-align: center;">Myungjun Lee (June 25, 1962) <Newly appointed></p>	<p>February 1987: Entered the Company April 2006: General Manager, Market Strategy Division, Engineering Headquarters April 2009: General Manager, New Product Development Division, Engineering Headquarters April 2012: General Manager, RMD Division, Engineering Headquarters May 2013: Representative Director, Sanken Electric Korea Co., Ltd. (to the present) April 2014: Deputy Head, Engineering Headquarters June 2014: Corporate Officer April 2021: Deputy Head, Marketing Headquarters, Semiconductor Business Corporate Headquarters June 2021: Senior Corporate Officer (to the present) April 2022: Deputy Head, Marketing Headquarters (to the present)</p>	1,600
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Myungjun Lee served at a Korean subsidiary for many years, where he was engaged in the development of semiconductor device products and market development, and gained experience in global business fields as an officer of the Korean subsidiary. Since then he has held positions such as General Manager of marketing and new product development divisions and Deputy Head of Engineering Headquarters, and has made contributions to expanding the Company's overseas business.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
5	Katsumi Kawashima (July 30, 1964) <Newly appointed>	April 1989: Entered Saitama Bank, Ltd. (currently Saitama Resona Bank, Limited) April 2008: General Manager, MIYASHIRO brunch, Saitama Resona Bank, Limited July 2010: General Manager, HON-KAWAGOE branch, Saitama Resona Bank, Limited April 2014: General Manager, KASUKABE branch, Saitama Resona Bank, Limited April 2016: General Manager, Treasury Planning Division, Resona Holdings, Inc. April 2018: Seconded to the Company Deputy General Manager, General Affairs and Human Resources Division April 2019: Transferred to the Company April 2021: General Manager, General Affairs and Human Resources Division June 2021: Corporate Officer (to the present) April 2022: Head, Corporate Design Headquarters (to the present)	-
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Katsumi Kawashima has many years of experience and expertise in the areas of administration and sales at banks, and has served as a manager of general affairs and human resources divisions. He has also played important roles in the ESG management through the Sustainability Committee, and has made contributions in the fields of employee health promotion and women's empowerment programs. Since April 2022, as Head of Corporate Design Headquarters, he has committed to creating new value in corporate division, as well as in the traditional functional areas of management such as planning, general affairs, finance, and CSR.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
6	Mizuki Utsuno (May 3, 1965) <Newly appointed>	<p>April 1986: Entered DC Pack Co., Ltd. October 1987: Entered SET Engineering Co., Ltd. October 1996: Entered the Company May 2016: President and Representative Director, Fukushima Sanken Co., Ltd. April 2018: General Manager, Marketing Division, Device Business Corporate Headquarters, Engineering Headquarters April 2021: Head, Business Promotion Headquarters and General Manager, Promotion Management Division, Semiconductor Business Corporate Headquarters June 2021: Corporate Officer (to the present) April 2022: Head, Business Promotion Headquarters and General Manager, Promotion Management Division (to the present)</p>	900
<p>- Reasons for the appointment as a candidate for Director</p> <p>Before and since joining the Company, Mr. Mizuki Utsuno has engaged in the development of a wide variety of products from switching power supplies to semiconductor devices for many years. In 2016, he became the President of a subsidiary of the Company and gained experience in corporate management. Since then, as a manager of the marketing division of the Company, he has made contributions in technological development and marketing fields. Currently, as Head of Business Promotion Headquarters, he has engaged in the management of managerial accounting, material procurement, and quality assurance, while also leading the DX promotion as an officer in charge.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
7	<p style="text-align: center;">Noriharu Fujita (September 26, 1950)</p> <p style="text-align: center;"><Reelection> <External Director> <Independent Officer></p> <p style="text-align: center;">Term of office as an External Director: Six years as of the closing of this meeting</p>	<p>September 1975: Entered Ito Accounting Firm</p> <p>May 1980: Obtained MBA from The University of Illinois at Urbana-Champaign</p> <p>July 1980: Entered ICI Japan Ltd.</p> <p>January 1989: Senior Manager, Ernst & Young, LLP Chicago Office</p> <p>October 1997: Partner, Ernst & Young, LLP New York Office (retired from the entity in June 2007)</p> <p>September 2008: Executive Partner, Ernst & Young ShinNihon LLC</p> <p>October 2008: JBS Global Services Leader, Ernst & Young ShinNihon LLC (retired from the entity in June 2013)</p> <p>July 2013: Representative, Fujita Noriharu Accounting Firm (to the present)</p> <p>August 2015: Independent Non-Executive Director, CITIC Limited (retired from the entity in April 2018)</p> <p>June 2016: External Director of the Company (to the present)</p> <p>August 2018: External Director, Allegro Microsystems, Inc. (to the present)</p>	-

- Reasons for the appointment as a candidate for External Director and overview of expected roles

Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experiences as a partner in a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the auditing of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as almost nine years have passed since his retirement from the above audit corporation, we believe that he can maintain an independent standpoint and supervise the Company's management from an objective viewpoint.

He serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he also serves as a member of the Growth Innovation Committee and has made contributions to the promotion of the Group growth strategies. In addition, he is expected to make similar contributions to the management of the corporate group, as he has held offices as an External Director of principal U.S. subsidiaries of the Company since 2018.

The Company therefore believes that he will appropriately perform his duties as an External Director such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy.

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
	<p style="text-align: center;">Takaki Yamada (October 31, 1950)</p> <p style="text-align: center;"><Reelection> <External Director> <Independent Officer></p> <p style="text-align: center;">Term of office as an External Director: One year as of the closing of this meeting</p>	<p>April 1969: Entered Oki Electric Industry Co., Ltd. April 1995: General Manager, Production Planning Division, Electronic Device Business Headquarters, Oki Electric Industry Co., Ltd. April 1997: Director, Plant Manager, Oki Thailand Co., Ltd. April 2005: President, Semiconductor Production Company, Oki Electric Industry Co. Ltd. June 2006: External Director, ChipMOS TECHNOLOGIES INC. (retired in October 2008) April 2008: President and Director, Oki Thailand Co., Ltd. (retired in July 2012) September 2012: Furukawa-Sky Aluminum Corporation (currently UACJ Corporation) January 2014: Vice President, UACJ (Thailand) Co., Ltd. (retired in March 2016) May 2016: Vice President, Thai Special Gas Co., Ltd. (to the present) June 2021: External Director, the Company (to the present)</p>	-
8	<p>- Reasons for the appointment as a candidate for External Director and overview of expected roles</p> <p>Mr. Takaki Yamada has many years of experience at semiconductor manufacturers and is well-versed in the semiconductor industry and business. He also has corporate management experience in semiconductor manufacturing gained through the years at Oki Electric Industry Co., Ltd. by serving as President of Semiconductor Production Company and President and Director of the overseas production subsidiary company. During the foundation of UACJ (Thailand) Co., Ltd. he leveraged his overseas experience to lead a large scale project. Currently, as Vice President of Thai Special Gas Co., Ltd., he possesses a wealth of work experience in various fields and maintains a vast network of connections by actively being engaged in business development.</p> <p>He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he also serves as a member of the Growth Innovation Committee and has made contributions to the promotion of the Group growth strategies.</p> <p>The Company therefore anticipates that he will contribute to ensuring the appropriateness of overall business execution, and present fruitful advice in an effort to promote business for the corporate group as a semiconductor manufacturer. He is expected to appropriately perform his duties as an External Director to achieve the mid-to-long term growth strategy for the corporate group.</p> <p>The semiconductor department of Oki Electric in which he worked in the past is currently a group company of ROHM Co., Ltd. with which the Company has business transactions. The transaction amount is less than 2% of the consolidated net sales between the Company and ROHM Co., Ltd., and therefore the Company believes that this transaction does not apply to a major business relationship.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
9	<p style="text-align: center;">Yoko Sanuki</p> <p style="text-align: center;">(April 3, 1949)</p> <p style="text-align: center;"><Newly appointed> <External Director> <Independent Officer></p> <p style="text-align: center;">Term of office as an External Director: —</p>	<p>April 1981: Registered as an attorney-at-law</p> <p>November 2001: Representative of NS Law Office (to the present)</p> <p>June 2003: External Audit & Supervisory Board Member, KURAYA SANSEIDO Inc. (currently MEDIPAL HOLDINGS CORPORATION)</p> <p>June 2007: External Audit & Supervisory Board Member, Meiji Dairies Corporation</p> <p>April 2009: External Member of the Board, Meiji Holdings Co., Ltd.</p> <p>June 2011: External Director, Resona Bank, Limited. (retired in June 2012)</p> <p>June 2012: External Director, Member of Audit Committee, Resona Holdings, Inc.</p> <p>June 2015: External Director, Chairperson of Audit Committee, Resona Holdings, Inc. (retired in June 2020)</p> <p>June 2019: External Audit & Supervisory Board Member, MEDIPAL HOLDINGS CORPORATION (to the present)</p>	—
<p>- Reasons for the appointment as a candidate for External Director and overview of expected roles</p> <p>Ms. Yoko Sanuki has a wealth of knowledge and experience as a legal professional, and has held positions such as an External director at several listed companies, including as the chairperson of the audit committee. Since 2020 she has also served as the President of the Japan Women’s Bar Association, and has made contributions to society in terms of women’s empowerment. Based on her extensive experience and expertise, the Company believes that she will present valuable advice and opinions, especially in the areas of legal risk and compliance, and from the perspective of diversity such as the advancement of female employees in the Company. She is expected to monitor management objectively from an independent standpoint as an attorney-at-law, and the Company anticipates that she will greatly contribute to strengthening the supervisory function of the Company’s Board of Directors.</p> <p>The Company therefore believes that she will appropriately perform her duties as an External Director such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy.</p> <p>Ms. Sanuki used to hold the positions of a director at Resona Bank, Limited., a creditor of the Company, and Resona Holdings, Inc., the parent company of Resona Bank, but both of these positions were as an External director with independence. The Company therefore believes that there will be no problem from the viewpoint of her independence when she performs her duties as an External Director of the Company.</p>			

* Yoko Sanuki’s name in the family register is Yoko Itazawa.

- Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.
2. Matters concerning a notification with respect to INDEPENDENT OFFICERS:
- The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Messrs. Noriharu Fujita and Takaki Yamada as independent officers of the Company. If their re-election is approved, the Company plans to continue to appoint them as independent officers. Ms. Yoko Sanuki satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If her election is approved, the Company will appoint her as an independent officer.
3. Matters concerning the candidates for External Director:
- The Company has entered into agreements with Messrs. Noriharu Fujita and Takaki Yamada to limit their liabilities for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act. If this Proposal is approved as proposed, the Company plans to continue the same agreements with Messrs. Noriharu Fujita and Takaki Yamada. The Company also plans to enter into the same agreement with Ms. Yoko Sanuki.
4. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2022 and each candidate will be insured under the contract.
5. ATOL CO., LTD., a wholly-owned subsidiary of MEDIPAL HOLDINGS CORPORATION, where Ms. Yoko Sanuki serves as an external audit & supervisory board member, was subject to an on-site inspection by the Japan Fair Trade Commission on November 9, 2021, for alleged violation of the Antimonopoly Law in connection with the bidding of pharmaceutical products procured by hospitals in the Kyushu area through the Headquarters of the National Hospital Organization.

On March 30, 2022, the Japan Fair Trade Commission announced that it had issued a cease-and-desist order and payment order to a bidder for pharmaceutical products ordered by the Japan Community Health Care Organization alleging that the bidder had violated the provisions of Article 3 "Prohibition of Unreasonable Restraint of Trade" of the Act on Prohibition of Private Monopolization. Although MEDICEO CORPORATION, a wholly-owned subsidiary of MEDIPAL HOLDINGS CORPORATION, was subject to an on-the-spot inspection by the Japan Fair Trade Commission in November 2019 and a search and on-the-spot inspection by the Tokyo District Public Prosecutors Office in October 2020 in connection with the case, neither a cease-and-desist order nor a payment order has been issued due to the fact that the company has applied to the Japan Fair Trade Commission for the leniency program, voluntarily reported past violations, and fully cooperated with the Commission's investigations. As an observer of the compliance committee of MEDIPAL HOLDINGS CORPORATION, Ms. Sanuki has been continuously monitoring the compliance of the group, and has given valuable opinions and appropriate advice in establishing a law-abiding corporate culture. She has also fulfilled her responsibilities as an observer on the Nomination and Compensation Committees of the Company, where she has presented fruitful opinions and suggestions for the enhancement of corporate governance.

Proposal No. 4: Election of Two Audit and Supervisory Board Members

At the conclusion of this meeting, Mr. Akira Ota, Standing Audit and Supervisory Board Member, will resign from office and Mr. Noboru Suzuki, Audit and Supervisory Board Member, will complete his term of office. Accordingly, we shall propose the election of two Audit and Supervisory Board Members. The Audit and Supervisory Board has approved the submission of this proposal.

The candidates for Audit and Supervisory Board Members are as follows:

No.	Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
	Noboru Suzuki (February 27, 1959) <Reelection>	April 1981: Entered the Company April 2011: Assistant to General Manager, General Affairs and Human Resources Division, Corporate Administration Headquarters October 2011: General Manager, CSR Office, Corporate Administration Headquarters June 2014: Audit and Supervisory Board Member (to the present)	1,500
1	<p>- Reasons for the appointment as a candidate for Audit and Supervisory Board Member</p> <p>Mr. Noboru Suzuki has been engaged in the corporate administration division for a long period and is experienced in fields of operation, including human resources and labor, internal audit, and CSR. In June 2014 he assumed office as Audit and Supervisory Board Member, and has performed his duties in that office. Since then, he has performed his duties as an Audit and Supervisory Board Member of the Company and its subsidiaries, and possesses considerable knowledge regarding finance and accounting affairs. We anticipate that he will fully apply his experience and knowledge in the auditing of the Company. Thus, the Company selected him as a candidate for Audit and Supervisory Board Member.</p>		

No.	Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
2	<p>Yasuhisa Kato (December 7, 1962) <Newly appointed></p>	<p>April 1985: Entered the Company April 2015: General Manager, Quality Assurance Division, Production Headquarters April 2021: General Manager, Quality Assurance Division, Promotion Management Division, Semiconductor Business Corporate Headquarters June 2021: Corporate Officer (to the present) October 2021: Chairperson, Governance Subcommittee, Sustainability Committee April 2022: Assistant to the President, Senior Counselor (to the present)</p>	800
<p>- Reasons for the appointment as a candidate for Audit and Supervisory Board Member</p> <p>Mr. Yasuhisa Kato has quality control experience gained through the years in the quality assurance division. As a manager of the division, he has been a driving force behind the advancement of quality control of the Company's products for many years. Through his experience in quality control, he has solid knowledge of the Company's products, production processes, and market demands. Further, as Chairperson of the Governance Subcommittee of the Sustainability Committee, he has played an important role in maintaining the Company's ESG promotion system. Thus, the Company selected him as a candidate for Audit and Supervisory Board Member.</p>			

- Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.
2. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2022 and each candidate will be insured under the contract.

(Reference)

Composition of the Audit and Supervisory Board subject to shareholder approval of this Proposal

No.	Name		Current Position, etc. at the Company
1	Noboru Suzuki	Reelection	Audit and Supervisory Board Member (Full-time)
2	Yasuhisa Kato	Newly appointed	Corporate Officer, Senior Counselor, Assistant to the President
-	Atsushi Minami	External Independent	External Audit and Supervisory Board Member (currently registered as an independent officer with Tokyo Stock Exchange)
-	Hideki Hirano	External Independent	External Audit and Supervisory Board Member (currently registered as an independent officer with Tokyo Stock Exchange)

■ Instructions for attending on the day of the general meeting of shareholders

In order to avoid the risk of COVID-19 infection, please be aware of the infection situation and your own health condition on the day of the meeting and make an appropriate decision before attending the meeting. In addition, we encourage you to exercise your voting rights in advance by mail or via the Internet. We also ask all shareholders attending the meeting in person to agree the following in advance:

- On the day of the meeting, attendees are asked to cooperate with measures including wearing masks and temperature checks as well as disinfecting themselves. Those who refuse to cooperate with the measures may not be allowed to enter.
- Please note that those who have a fever of 37.5 °C or higher and feel unwell may not be allowed to enter. We appreciate your understanding in advance.
- We will widen the space between seats at the meeting in order to prevent infection. Accordingly, in some cases, some attendees may not be allowed to enter because the number of seats offered will be significantly decreased.
- To prevent infection, the general shareholders meeting will be shorter than usual.
- Photographing, videoing, and audio recording during the general shareholders meeting, as well as keeping and posting the recorded data to social media sites are strictly prohibited.

■ Information and notes for livestreaming

We will livestream the general meeting of shareholders. To prevent the COVID-19 infection, we request that you refrain from attending the meeting in person and consider viewing the livestreaming. Please refer to the attached document “Notice regarding the Methods for Participating the Virtual General Meeting of Shareholders” for details such as the URL of the livestreaming website, ID, and password.

Notes

- The livestreaming may be unavailable depending on your computer and Internet connection environment, etc.
- Any fees incurred through viewing the livestreaming will be borne by the shareholders.
- Viewing the livestreaming is not regarded as attendance in the general meeting of shareholders pursuant to the Companies Act, and shareholders viewing the livestreaming are not eligible to participate in the resolution. Accordingly, those shareholders are kindly asked to exercise their voting rights before viewing the livestreaming.
- Photographing, videoing, and audio recording during the shareholders general meeting, keeping and posting the recorded data to social media sites, and sharing your ID and password with third parties are strictly prohibited.